

Message Text

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USDOC FOR BEWT/USSR/HEISS AND OEWT/MURRIN

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SUBJECT: BUSINESS FACILITATION: ADDITIONAL U.S. FIRMS ACCREDITED
OR SOON-TO-BE

REF: 75 STATE 004656, MOSCOW 15390

1. SUMMARY: DURING RECENT CALL ON MFT PROTOCOL CHIEF V.A. RAKHMANIN QUESTIONS OF ACCREDITATION AND BUSINESS FACILITATION FOR U.S. COMPANIES WERE DISCUSSED IN SOME DETAIL. RAKHMANIN SAID THAT AGREEMENT HAD BEEN REACHED IN PRINCIPLE TO ACCREDIT ALLIS-CHALMERS AND THIS WOULD PUBLICLY BE ANNOUNCED EARLY IN NEW YEAR. ACCREDITATION OF ALLIS-CHALMERS TOGETHER WITH THAT OF SPERRY RAND, WHICH WE UNDERSTAND WAS MADE PUBLIC TWO WEEKS AGO, WOULD BRING TO 25 NUMBER OF U.S. FIRMS ACCREDITED IN MOSCOW. END SUMMARY.

2. IN DISCUSSION WITH RIGGS OF USDOC/BEWT/USSR DIV. AND COMOFF DEC. 9, RAKHMANIN, MFT PROTOCOL CHIEF, SAID THAT AGREEMENT HAD BEEN REACHED WITH ALLIS-CHALMERS ON ACCREDITATION AT RECENT U.S.-U.S.S.R. TRADE AND ECONOMIC COUNCIL SESSION IN PRINCIPLE BUT NO OFFICIAL ANNOUNCEMENT WOULD BE FORTHCOMING UNTIL EARLY NEXT YEAR. ASKED ABOUT STATUS OF OTHER U.S. FIRMS WHICH HAD LIMITED OFFICIAL USE

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ASKED FOR ACCREDITATION THROUGH MFT, RAKHMANIN CLAIMED TO HAVE NO INFORMATION ALTHOUGH HE CONFIRMED THAT IN GENERAL OTHER U.S. FIRMS WERE ALSO BEING GIVEN CONSIDERATION.

3. APPROVAL OF ALLIS-CHALMERS COUPLED WITH THE ACCREDITATION OF SPERRY RAND, WHOSE REQUEST FOR FORMAL ACCREDITATION GRANTED BY

STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY (SCST) ON DEC. 3, WILL BRING TO 25 NUMBER OF ACCREDITED AMERICAN COMPANIES IN MOSCOW. (MINISTRY FIGURE INCLUDES U.S.-U.S.S.R. TRADE AND ECONOMIC COUNCIL AND ALSO APPARENTLY CHEMICO WHICH ACCREDITED BUT WHICH HAS DECLINED TO OPEN AN OFFICE HERE.) OF THIS NUMBER, 17 FIRMS ACCREDITED BY MFT, 3 BY SCST (BROWN AND ROOT, ARTHUR ANDERSON AND SPERRY RAND) 3 BY STATE BANK (BANK OF AMERICA, CITI-BANK AND CHASE), 1 AT MIN CIVIL AVIATION (PANAM) AND 1 AT INTOURIST (AMERICAN EXPRESS). MINISTRY OF MERCHANT MARINE ALSO ENTITLED TO GRANT ACCREDITATION BUT THIS AVENUE HAS NOT BEEN SOUGHT TO DATE BY U.S. SHIPPING FIRMS.

4. CRITERIA FOR ACCREDITATION: IN CONTRAST TO VARIOUS THEORIES FLOATING ABOUT WHICH HOLD THAT MINIMUM ANNUAL SALES TOTAL OF \$59(\$20 OR \$40 MILLION NEEDED FOR ACCREDITATION, RAKHMANIN DENIED THAT THERE WAS ANY SET MINIMUM LEVEL OF SALES REQUIRED ON PART OF WESTERN FIRM BEFORE REQUEST FOR ACCREDITATION COULD BE GRANTED. TOGETHER WITH LEVEL OF CURRENT BUSINESS, OTHER FACTORS SUCH AS NEED FOR SERVICE, MAINTENANCE AND OPERATION INSTRUCTION, THE DEGREE OF INTEREST IN A PARTICULAR FIRM BY ITS PARTNER SOVIET FOREIGN TRADING ORGANIZATION WERE ALSO VERY IMPORTANT. THUS, A COMPUTER FIRM WITH A RELATIVELY LOW LEVEL OF SALES COULD RECEIVE ACCREDITATION BEFORE A CHEMICAL COMPANY OR MANUFACTURER OF FOUNDRY EQUIPMENT WITH RELATIVELY HIGH SALES VOLUME. IN ADDITION, POTENTIAL FOR FUTURE BUSINESS WAS A MOST IMPORTANT FACTOR TO BE WEIGHED, ACCORDING TO RAKHAMIN. UNTIL COMPLETION OF NEW TRADE CENTER, LOCATION OF SUITABLE OFFICE SPACE WILL CONTINUE TO BE SERIOUS PROBLEM, RAKHAMIN SAID, AND WILL CONSTITUTE MORE SERIOUS BOTTLENECK IN PROCESSING REQUESTS FOR ACCREDITATION BY FOREIGN FIRMS.

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TM IN RECITING LITANY OF PRIVILEGES USSR GANTED TO FOREIGN BUSINESSMEN (I.E. USE OF DIPLOMATIC STORES, SPECIAL IMPORT PRIVILEGES, ETC.) RAKHMANIN MADE MILD COMPLAINT ABOUT LACK OF "RECIPROCITY" GRANTED TO SOVIET COMMERCIAL REPRESENTATIVES IN U.S. WHO ARE "FORCED TO PAY LOCAL SALES TAXES AND SUBJECT TO TRAFFIC FINES." SOMEWHAT MORE STRONGLY HE RAISED QUESTION OF NON-RECIPROCITY ON VISA MATTERS, NOTING THATT WHILE SOME 40 AMERICAN BUSINESSMEN AND SOVIET MULTIPLE ENTRY VISAS VALID FOR ONE YEAR, USG GRANTED MULTIPLE ENTRY VISAS VALID FOR SIX MONTHS TO ONLY FIVE ACCREDITED SOVIET TRADE REPS. OUR LAST READING FROM DEPT. (REFTEL) COINCIDES CLOSELY WITH FIGURES RAKHMANIN USED, I.E., FIVE ACCREDITED SOVIETS ON M/E VISAS, AND APPROXIMATELY 40 ACCREDITED REPS OF U.S. FIRMS IN MOSCOW. IF THERE HAS BEEN SIGNIFICANT CHANGE SINCE THEN IN NUMBER OF ACCREDITED SOVIET TRADE REPRESENTATIVES IN POSSESSION OF MULTIPLE ENTRY VISAS IN US, WE WOULD BE INTERESTED IN KNOWING OF IT.

6. EMBASSY IS, OF COURSE, AWARE THAT SOVIETS HAVE NOT YET RE-

SPONDED TO OUR LONG STANDING PROPOSAL THAT MULTIPLE ENTRY/EXIT VISAS BE ISSUED RECIPROCALLY TO ALL RESIDENT BUSINESSMEN OF ACCREDITED FIRMS OF EACH COUNTRY. WE FURTHER NOTE THAT AMERICAN RESIDENTS IN THE USSR, INCLUDING BUSINESSMEN, PAY WHAT AMOUNTS TO TAXES IN THE FORM OF "FEES" AND SERVICE CHARGES" IMPOSED BY SOVIET HOTELS, STORES AND "SERVICE" ORGANIZATIONS, PER MOSCOW 15390. MOREOVER, THE RECENT RUCHKIN-SIEVERS AFFAIR CLEARLY INDICATES THAT AMERICAN BUSINESSMEN ARE OFTEN SUBJECT TO UNJUST, ARBITRARY AND POLITICALLY MOTIVATED TRAFFIC CITATIONS. WE HAVE RAISED THE MULTIPLE ENTRY/EXIT VISA QUESTION FOR BUSINESSMEN AT THE FIRST ROUND OF OUR BILATERAL CONSULAR TALKS AND BELIEVE THERE IS A GOOD CHANCE IT WILL BE POSITIVELY RESOLVED DURING THE SECOND ROUND (ALTHOUGH SOVIET SIDE OF TALKS COMMENTED THAT SOVIET BUSINESSMEN IN US "ARE NOT INTERESTED" IN HAVING MULTIPLE/ENTRY VISAS). DURING THE SECOND ROUND, WE PLAN ALSO TO POINT OUT THAT AMERICAN OFFICIALS AND BUSINESSMEN HERE PAY MUCH MORE IN TAXES THAN DO THEIR SOVIET COUNTERPARTS IN THE US. WE SHALL MAKE THESE MATTERS, AS WELL AS THE TRUMPED UP TRAFFIC VIOLATION CHARGES AGAINST PANAM EMPLOYEE SIEVERS, CLEAR TO RAKHMANIN AT OUR LIMITED OFFICIAL USE

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NEXT OPPORTUNITY.

7. SCST ACCREDITATION OF SPERRY RAND IS FIRST TIME STATE COMMITTEE HAS ACCREDITED US COMPANY ENGAGED IN SALES MANUFACTURED PRODUCTS IN USSR, ALTHOUGH SCST HAS ACCREDITED SIMILAR FIRMS FROM OTHER WESTERN COUNTRIES. (COMMENT: NO DOUBT FIRM'S ACTIVE ROLE HERE WITH AEROFLOT RESERVATION SYSTEM AND ITS WILLINGNESS TO SIGN LONG-TERM COOPERATION AGREEMENT WITH SCST WERE IMPORTANT FACTORS IN SOVIET DECISION TO GRANT ACCREDITATION).

8. COMMENT: ALL THINGS CONSIDERED (PANAM ASIDE) AND IN SPITE OF GRUMBLING OVER HIGH OVERHEAD --RENTS WERE HIKED LAST WEEK FOR ALL FIRMS ABOUT 50-60 PER CENT --ACCREDITED AMERICAN BUSINESSMEN APPEAR TO BE REASONABLY SATISFIED NOW REGARDING THEIR PHYSICAL FACILITIES IN MOSCOW. WE TEND TO DISCOUNT RECENT REPORTS (SEE, ESPECIALLY, BUSINESS WEEK, DECEMBER 6, 1976) TO EFFECT THAT SOME ACCREDITED US FIRMS ARE CONTEMPLATING PULLING OUT OF SOVIET MARKET IN NEAR FUTURE, BARRING A SERIOUS DETERIORATION IN GENERAL STATE OF BILATERAL COMMERCIAL RELATIONS. OUR LATEST SOUNDINGS WITH LOCAL FIRM REPS DO NOT CONFIRM THESE PESSIMISTIC REPORTS.
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